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INFO AMEMBASSY ASMARA
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SUBJECT: ETHIOPIA - USG/HAT - MEETING WITH WFP

SUMMARY

1. Senior World Food Program (WFP) officials - the Country Director for Ethiopia and the Chief of the Logistics Division in Rome - briefed USAID officials Friday June 27 on the current transport situation and its capacity to meet food aid imports over the coming months. There is little capacity to spare at the Port of Djibouti, especially on the storage side. But if incoming food aid shipments are managed efficiently, WFP believes that there is the offloading and trucking capacity to keep resources flowing smoothly. This will require coordination on the part of all importers of food aid and commercial goods. WFP also emphasized that its worldwide shipping was operating at full capacity, meaning that - contrary to the situation a few years ago - there is almost no WFP "floating inventory" to divert for borrowing given the limited grain in the Ethiopia Food Security Reserve (EFSRA). End Summary.

DJIBOUTI PORT UPDATE

2. Senior WFP logistics officials visited the Port of Djibouti during the week, to assess port capacity to handle the food aid shipments scheduled to arrive in the coming months. Under review were port offloading and storage facilities. WFP also reviewed the requirements and capacity to maintain a steady stream of trucks between the port and the several Ethiopian hubs where food is offloaded and then transshipped, according to DPPA (Disaster Preparedness and Prevention Agency) dispatch schedules.

3. Fertilizer imports normally occur between October and April, when they can amount to 400,000 MTs. However, the coming three months will be free from competition for berthing space by fertilizer imports. Three berths at the port are capable of handling the food aid cargo scheduled to arrive between now and the end of September.
NOTE: In a prior meeting to discuss port capacity, WFP explained

that the current bulk cereals discharge capacity at the Port of Djibouti is 120 - 150,000 metric tons (MTs) per month. If additional capacity is required in the coming three months, this can be augmented by 110,000 MTs through the use of conventional cranes and - once cleaned and inspected -- facilities normally used for fertilizer imports. This total, augmented capacity meets and exceeds all anticipated food aid imports for the coming months.

¶4. WFP emphasized the importance of coordinating the "upstream pipeline" - starting in October - to mesh food arrivals with commercial imports, to avoid competing for the same overland transporters. One concern was that NGO food aid shipment schedules are now an unknown. WFP requested that call forwards for NGO requirements not be made on a "through-shipment" basis, instead suggesting that WFP be the overland transport agent for NGO food commodities between the port and major hubs. WFP would be prepared to undertake the overland transport, based on the actual transport cost to each hub, plus a 4.5 percent administrative fee (headquarters) and \$2.50/MT to cover local administrative costs. WFP said there are about 5,000 long haul trucks operating between Djibouti to Ethiopia. The agency is contracting 1,800 from 21 different transporters and does not foresee problems with truck availability at this time.

¶5. WFP met recently with the Ethiopian Ministry of Transport to re-activate a coordination mechanism crucial to ensuring that everyone is aware of the schedule of incoming commodities purchased by the public and private sectors. Close coordination is required to avoid "commandeering" of transport assets at the last moment, something which has occurred in the past. WFP/Ethiopia's logistics head will ensure that there is regular coordination with Government officials (DPPA, Ministry of Transport, Customs) and WFP and USAID. NOTE: WFP will also hold a logistics coordination meeting this Thursday, to be attended by USAID as well as UN agencies and NGOs. Eventually, a decision will be made whether to set up a formal Logistics Cluster (co-chaired by the Government and WFP) or to keep the coordination mechanism less formal.

INLAND TRANSPORT CHALLENGES

¶6. Government capacity to manage the inland transport (dispatches, distributions, and final deliveries) has already proven inadequate. Word about town is that the DPPA - as of this week - is to become the Early Warning and Response Department of the Ministry of Agriculture and Rural Development. If this occurs precipitously, it is likely that more serious management issues will occur, just when the relief beneficiary caseload is increasing. At the same time, the situation in the Somali region is deteriorating and likely to become an even more serious emergency (septel). Anticipating the possibility that WFP would have to step in and be more directly involved in food deliveries, USAID inquired if WFP was developing contingency plans to augment their own, and possibly government, capacity. WFP indicated that internal discussions were underway and that USAID/OFDA (and other donors) might be approached for funding of emergency logistics augmentation. NOTE: In a follow-up phone call, WFP indicated that this plan is being worked on and will be shared with USAID soon - likely this week.

PIPELINE FRAGILE

¶7. The meeting ended with a general discussion of the resources required to meet both the safety net and the relief caseloads over the coming months. Despite ongoing USAID efforts to obtain additional (for example, supplemental) resources in the near term, WFP repeatedly emphasized that "the existing 340,000 MTs relief pipeline gap in 2008 represented a huge red flag," and that more food was required. The actual gap for WFP portion of the relief effort, reported in the June 26 WFP external bulletin, is 259,000 metric tons. There is practically no borrowing possible from the EFSRA because more than two-thirds of the grain stocks were allowed to be borrowed by the Ethiopian Grain Trade Enterprise (EGTE) without reimbursement requirement. What little borrowing capacity exists has been programmed tightly to cover about half the needs during July and August. WFP emphasized that food aid arrivals in

port during the first half of one month, say August, would not be distributed to beneficiaries until the following month (September), and that arrivals the second half of any given month would not be distributed until yet another month (e.g., October with a late August arrival). The bottom line -- emphasized by both the Country Director and international Logistics Head -- was a desperate need for more food as soon as possible.

18. USAID/Ethiopia is following with Food for Peace, to ascertain what additional resources can be set aside for Ethiopia.

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